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1969 Farm Outlook

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1969 OUTLOOK ISSUE

1969 FARM OUTLOOK

No Major Changes Expected

by Robert N. Wisner and Gene Futrell

ONLY A moderate change in the overall farm economy is the outlook for 1969. In a nutshell—

- **Farm income may sag slightly from 1968 levels.**
- **General economic activity will be favorable, but less dynamic than in recent years.**
- **Consumer income and the demand for red meats will continue to rise—but at a slower rate.**
- **Livestock feeding profits may be somewhat lower, while returns from grain production will likely be close to 1968 levels.**

Farm Income

Net farm income nationally in 1968 was around $15 billion, up about 5.6 percent from the previous year. Prices received for farm products averaged slightly above 1967, despite lower prices on grains. This, along with the increased volume of marketings and large government payments contributed to a modest increase in gross income.

However, a large part of the increase in gross income was offset by higher production expenses. The farm income situation in Iowa was better than

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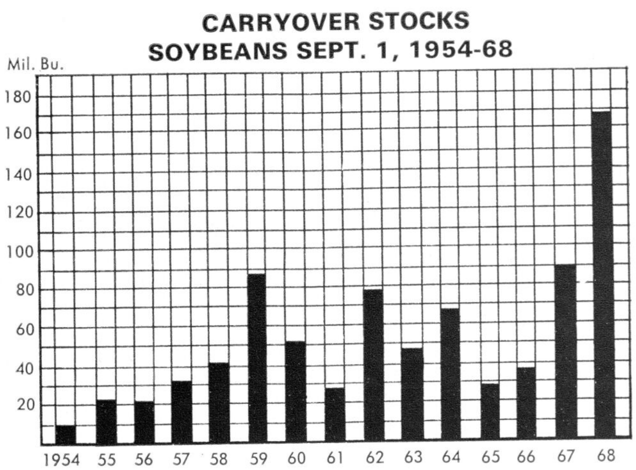
the national picture due to record corn and soybean yields and favorable livestock feeding margins. Income per farm appears to have averaged moderately above the 1967 level of $6,749.

It now appears that 1969 net farm income in Iowa may be somewhat below the 1968 level. Returns from hogs are likely to be down, especially during the last part of the year. Cattle feeding returns will probably be below the favorable 1968 level, since feeder costs have been a little higher than last year and average fed cattle prices may be slightly lower.

Poultry returns should be more favorable, especially during the first half of the year. Dairy returns appear likely to be about the same as in 1968. Receipts from corn and soybeans are uncertain, but could average near or a little above 1968 levels.

General Economy

Increases in economic activity during the first half of 1969 may be somewhat less than a year earlier. The tax surcharge should begin to provide some restraint during this period, as consumers and businesses adjust spending patterns. Also, larger income tax payments will be due for that part of the tax increase not covered by withholding. Higher Social Security taxes may further restrict spendable income.



Assuming no major change in the Viet Nam situation, government spending may increase at a somewhat slower rate than in 1968. However, a relatively strong up-turn in business conditions is expected during the second half of 1969.

Consumer income is likely to continue its upward trend, although at a slower rate than in 1968, especially during the first 6 months. Unemployment could rise slightly, and inflationary pressure is expected to continue, although perhaps not quite so strongly as last year.

In 1968, the general price level rose about 4 percent. This year the increase may be around 3 to 3½ percent. As a result of the slower rate of growth in consumer income, the demand for red meats and other farm products is likely to grow somewhat more slowly than last year, especially during the first six months of 1969.

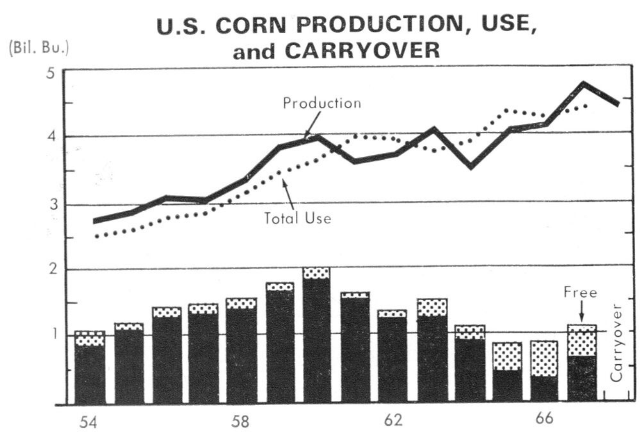
Export prospects for 1969 appear reasonably good, although economic developments in the United States and abroad will affect trade prospects in specific products. Exports of corn, soybeans and soybean products appear likely to remain near or slightly above last year, although other exporting countries again will provide strong competition. Foreign exports of Iowa farm products during fiscal 1967-68 were valued at about $392 million.

Soybeans

On Nov. 1, the 1968 soybean crop was estimated at a record 1,079 million bushels, 11 percent larger than last year's crop. Sept. 1 carryover stocks totaled 167 million bushels, giving a total supply of 1,246 million bushels for the 1968-69 marketing year.

Utilization during 1967-68 totaled 896 million bushels, 2½ percent larger than in the previous marketing year. Exports accounted for 267 million bushels of this, and the domestic crush totaled 576 million bushels. Other uses accounted for about 53 million bushels.

Some increase in domestic and export demand is expected during 1969. But competition from other fats, oils and protein feeds again will be strong. Domestic supplies of cottonseed and linseed meal and oil are expected to be much larger than last year. And urea use should continue its upward trend.



On the export side, foreign meal demand appears relatively good, although the oil situation continues to reflect large world supplies and relatively low prices. Because of these factors, only a modest expansion in soybean utilization is expected this year.

Domestic use and exports may total around 920 to 940 million bushels. Since this would be considerably less than the 1968 crop, a large increase in the 1969 carryover is expected — possibly to more than 300 million bushels.

Soybean prices through summer appear likely to be near or a few cents below 1968 levels. Some seasonal increase in prices is expected, and the extent will depend largely on the volume of beans being placed under price support loan. Movement under loan should be heavy enough to bring prices a few cents higher than the loan rate later on in the year.

Soybean Meal

Wholesale prices for soybean meal appear likely to average around $2 to $4 per ton above a year ago through late spring. During the summer, prices may remain near or a little less than a year earlier. Higher meal prices during the first part of the year are expected due to less favorable oil prices.

Feed Grains

Based on Nov. 1 conditions, the 1968 corn crop was placed at 4,440 million bushels or 6 percent less than last year's record production. This estimate was based on a 7.5 percent drop in acreage and a national average yield of 79.4 bushels per acre. Production of the four feed grains (corn, oats, barley and grain sorghum) totaled about 171 million bushels, 3 percent less than in 1967.

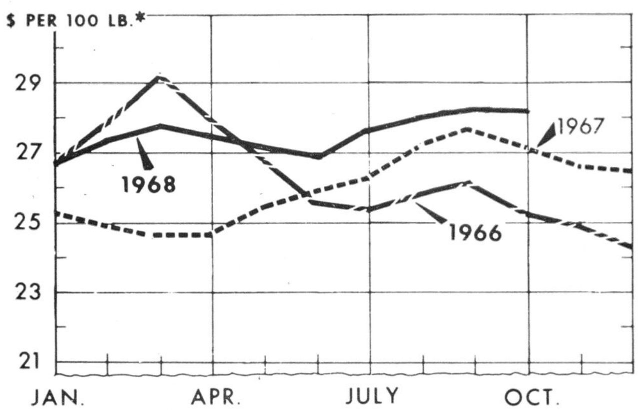
Iowa's corn crop was placed at 905.7 million bushels, 2 percent below 1967. The state average yield was estimated at a record 93 bushels per acre, up from 85 bushels in 1967.

Domestic use of feed grains increased slightly during the 1967-68 marketing year, due to a small increase in animal numbers. Exports were about 6 percent above the previous year, with a sharp rise in foreign shipments of corn but with lower exports of oats, barley and grain sorghum. Total utilization was about 165 million tons, compared with the 1967 feed grain crop of 175 million tons. Consequently, the Oct. 1, 1968 carryover registered a substantial increase, and totaled about 47.9 million tons.

Domestic feed grain utilization is expected to rise modestly during 1968-69, due to increases in animal numbers and feeding rates per animal. Large grain crops in Western Europe and other areas are likely to continue to compete with U. S. exports.

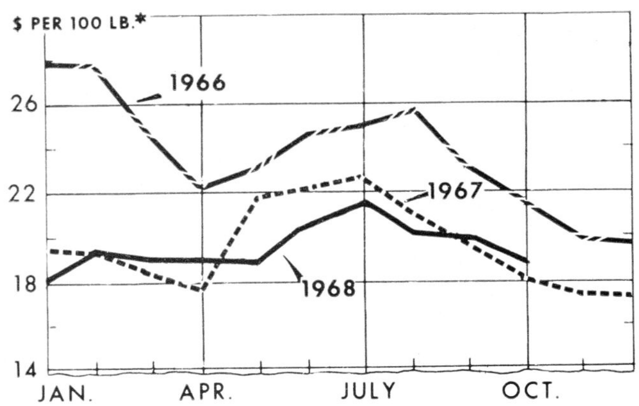
Further increases in consumer income, and high levels of livestock and poultry production in major importing countries could bring a slight increase in corn exports during the 1968-69 marketing year. This will partly depend, however, on the size of the crops harvested in the Southern Hemisphere this spring. Exports of other feed grains could be a little less than last year, due to competition from large foreign grain supplies. Current prospects suggest a modest increase in the 1969 carryover is likely, possibly to around 50 million tons.

SLAUGHTER STEER PRICES



* CHOICE GRADE, SOLD OUT OF FIRST HANDS AT CHICAGO.

HOG PRICES



* BARROWS AND GILTS AT 8 MARKETS.

Corn Prices

Corn prices this winter are expected to average near or a few cents above year earlier levels. Last year during this period, Central Iowa prices for No. 2 corn were about $.99 to $1.04 per bushel. Prices later this year will depend heavily on export movement, the volume being placed under price support loan, and 1969 acreage and production prospects.

If exports remain near or slightly above year earlier levels, Central Iowa prices during late spring and early summer may be modestly above the loan rate plus redemption costs. Some additional price strength would be possible if production prospects were unfavorable later in the season.

Hogs

Hog slaughter in 1968 was around 3 percent above the previous year. With strong demand for red meats, however, prices averaged only a little below 1967. The average price for barrows and gilts at 8 terminal markets for the year was about $19.15 per cwt.

Larger marketings and somewhat lower prices are expected in 1969. It appears that volume in the first half of the year will be up around 5 percent, due to the increase in the 1968 fall pig crop (June-November farrowings). Prices in this period are expected to average 75 cents to $1 below a year earlier —when the January-June 1968 average for barrows and gilts at the 8 markets was $19.18 per cwt.

Hog supplies and prices during the last half of 1969 will depend largely upon the size of the 1969 spring pig crop (December-May farrowings). Favorable returns during 1968 and large corn supplies are expected to result in a moderate increase in farrowings. A boost of 4 to 6 percent seems likely at this time. (The USDA estimate of December-May farrowing plans was released Dec. 23, but was not available at this writing.)

Prices should still show some seasonal gain during the late spring and early summer — probably reaching a high of $20 to $21 for barrows and gilts at terminal points. If spring farrowings increase by around 5 percent as estimated, hog prices during November-December of 1969 will probably drop to around $15.50 to $16 at Midwest terminals.

Cattle

Fed cattle prices in 1968 were the highest since 1962, despite a 3 percent increase in slaughter and larger imports of beef. At Chicago, the average price for Choice steers was about $27.50, compared with $26.04 per cwt. in 1967.

A moderate increase in beef supplies is in prospect in 1969, with prices likely to average a little below the 1968 level. Eleven percent more cattle were placed on feed during the first three quarters of 1968 than a year earlier. And the number on feed Oct. 1 was up 11 percent.

The weight distribution of these cattle, along with expected later placements, indicates fed cattle marketings in the first half of 1969 willl be at least 5 percent above last year.

Fed cattle marketings during the last half of 1969 are expected to show a smaller increase. But actual levels of feedlot placements this winter and spring and the movement pattern out of feedlots will be major factors to watch in the months ahead. A steady marketing pattern at moderate weights in 1968 helped keep prices strong. Hopefully, the 1969 marketing pattern will be similar.

Cow slaughter in 1968 was up only slightly from the previous year. Assuming no major change in the rates of beef herd expansion and dairy herd liquidation, cow slaughter in 1969 will likely be about the same as in 1968. Imports of beef are also expected to be near the 1968 level.

Fed cattle prices are expected to show some weakness during the winter and earlier spring months — probably averaging $1 or more below year earlier levels. Prices during the last half of the year may be close to a year earlier — provided the supply of heavy cattle does not become burdensome and pork supplies are near current estimates.

Sheep and Lambs

Sheep and lamb slaughter in 1968 was about 7 percent below 1967. The smaller supply, along with generally strong demand for meats, resulted in moderately higher lamb prices. In Iowa, the average price received for slaughter lambs was around $24.15 per cwt., compared with $22.40 in 1967.

Lamb supplies are expected to be smaller again in 1969. The number of sheep and lambs on U. S. farms and ranches apparently continued to decline in 1968. This will mean a smaller 1969 lamb crop and a further drop in feeding and slaughter. Larger supplies of beef, pork and poultry may provide stronger competition for lamb in 1969. But lamb prices should be fairly strong — probably somewhat above 1968 levels early in the year and near a year earlier later in 1969.

Dairy

Milk production in 1968 totaled around 118 billion pounds, about 1 percent below the previous year. Production continued to exceed commercial demands with government purchases of dairy products accounting for around 5 percent of the milk production. Milk output in 1969 is expected to be close to the 1968 level.

The number of milk cows on U. S. farms will decline further — probably by around 3 per cent. But increased production per cow should about offset the drop in numbers. Commercial demand for dairy products will again fall short of the available supply.

Iowa dairymen received an average of around $5.20 per cwt. for milk sold in 1968 for fluid use. Milk for manufacturing use averaged about $4.20 per cwt. Year-earlier averages were $4.92 and $4.02 respectively.

Producer prices for milk in 1969 will probably average slightly higher than in 1968, assuming price supports on manufactured dairy products remain at the 1967-68 level. While feed costs will be relatively low, costs of most other production inputs will probably rise. Thus, while gross receipts to dairymen may be up slightly, net returns are likely to be about the same as in 1968.

Eggs and Turkeys

Egg prices were low during the first half of 1968, with Iowa farm prices for Grade A Large under quality incentive arrangements averaging about 25 cents a dozen. Price and profit levels improved sharply during the last half of the year — as the laying flock was adjusted downward and production dropped below the previous year.

The number of layers on U. S. farms will be 3 or 4 percent below last year during the winter months. Although the rate of lay will probaby increase slightly, egg production should be at least 3 percent below a year earlier. By spring, laying flock size and egg production may be only 1 to 2 percent below 1968 levels. Volume will also be at a seasonal peak during this period.

Prices are expected to be above 1968 levels during the first half of the year — probably by 6 to 8 cents during the winter months and by 3 to 5 cents next spring. Seasonally, prices will likely decline into spring, then strengthen moderately by late summer.

Improved returns resulted in larger hatchings of replacement chicks in the last quarter of 1968. This is expected to continue during 1969. By later in the year, layer numbers and egg production likely will be above a year earlier. And prices may be several cents below 1968 fall levels.

Turkey production in 1968 was cut back sharply from the record 1967 crop. The number raised, at around 107 million, was down 16 percent. The resulting higher prices, along with relatively low feed costs, gave profits a good boost over the unfavorable 1967 returns. This is expected to bring a moderate increase in the 1969 turkey crop, possibly of around 5 percent. With smaller cold storage stocks to start the year, an increase of this amount could probably be marketed at prices close to those of 1968.